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31 JAN 1961

MEMORANDUM FOR: Comptroller

SUBJECT : Costing of Cable Communications

1. PROBLEM

To determine the feasibility of costing all Agency cable traffic to users as an aid in controlling Agency cable volume and costs.

2. ASSUMPTIONS

- a. Cable cost limitations would be established by this Office for Agency components which use cable service, based upon experience studies and estimates furnished by the components. Charges would be made against each limitation based upon the actual use of cables by the affected components.
- b. For costing purposes predetermined, arbitrary fixed rates would be applied to cable volume figures. The wide variety of uses of Agency communications facilities seems to preclude any attempt to determine the actual cost of sending and receiving messages.
- c. The Office of Communications would provide cable volume data by Agency component for use in costing. We base this assumption on the special security factors present in Agency cable traffic, and on the premise that that Office is best equipped to provide complete and accurate data.

3. FACTS BEARING ON THE PROBLEM

- a. Per Tab D, monthly average cable volume in and out of headquarters is 18,003 cables, including information cables. For purpose of this study we will consider annual cable message volume to be 216,036, although lateral messages not "info'd" to headquarters are not included.
- b. Past experience in costing programs indicates that the heavy workloads are involved in obtaining basic data in suitable form for entry to the cost records. The recording and reporting of finished data are not normally major undertakings. Cable traffic data now accumulated by the Office of Communications are not identified to sponsoring Agency components, nor are such data available elsewhere in the Agency. These data are necessary to a costing program. Agency cable use is not now planned or controlled through requisition or work order systems.
- c. The properly chargeable component for a particular cable is much more difficult to determine than the component to be costed for a piece

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of property. Support and operational activities between field areas require substantial cable traffic. Some overseas stations because of location, local facilities and other circumstances receive heavier service requirements than do others.

- d. The transmission of deception messages as described in Tab C, paragraph 2c, distorts volume figures for us as well as for enemy monitors and would seriously complicate determination of limitation requirements.
- e. The volume of cables used by operating components fluctuates wildly, being directly affected by operations and political conditions in their areas of responsibility.

**4. DISCUSSION**

In determining the feasibility of any cost program, three basic factors must be considered:

- a. Is the use of the commodity or service involved controllable by the units to be responsible for controlling it?

We doubt that any major operating element in this Agency has control over its use of cables to the extent that a cable limitation could be taken seriously. A large amount of traffic is involuntarily sponsored by every element because of requests for support from other elements, in fulfilling Agency coordination requirements, and because of the introduction of deception cable traffic when deemed necessary by the Office of Communications (see Tab C, paragraph 3).

- b. Can the use of the commodity or service be equitably measured on a practical basis at some point to permit comparison of actual usage to the established standard or limitation?

The number of cables applicable to the geographic area of any component can be readily determined; however, such a determination would not provide equitable costing since the component which "caused" a cable should be charged for that cable. The causing component in many cases will not even be mentioned in a cable, or mentioned only by reference citations. Thus, to equitably determine cable usage, we would be forced to a more detailed and time consuming examination of traffic than is desirable considering the volume of cables involved.

- c. Would the results of a cable costing program justify the cost involved?

There is no basis for determining whether any reduction of cable volume would result from a cable costing program. The workload and cost of administering a costing program are discussed below:

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**(1) Obtaining Cable Traffic Data:**

- (a) As no usable traffic records are now kept, a complete system must be built. The end product of the system must be total cable volume broken down to chargeable Agency components. The Office of Communications would require each operating Commo unit to record outgoing cables, identify them as to chargeable component, and submit a report periodically to it. The data would then be consolidated by Office of Communications and reported to Office of the Comptroller for costing to the various accounts.
- (b) Considering the very large volume of cable messages transmitted (paragraph 3b, above) the cable analysis workload on the Office of Communications in identifying the component causing each message, and total volume applicable to each component, would be a serious factor (see Tab C, paragraph 4).

**(2) Administration of Cost Limitations**

- (a) For each cost limitation, a record of the limitation and charges against it would have to be kept by each using unit. Assuming, for example, that limitations would be issued to DD/P area divisions and that each division would then place limitations on its field units, [REDACTED] separate records would be created.
- (b) Entering cables on the limitation record prior to transmission would delay the message and would be objectionable; thus, some sort of after-the-fact reporting would be necessary even though this would further weaken the component's control over its limitation.
- (c) Reports on cable volume would have to be provided in the field by field communication units to local station personnel administering the cable limitation, as well as to headquarters.
- (d) The Budget Division, Office of the Comptroller, would incur additional workload in issuing and administering limitations.

**(3) Maintenance of Cost Records**

The workload in this function in the Office of the Comptroller would depend on the number of limitations involved, but would probably not be in excess of eight hours per month.

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**5. CONCLUSIONS**

- a. We do not feel that cables are a suitable subject for costing and cost limitations. Cable users cannot control or plan cable output. Without this control, the limitation technique loses all meaning to those to whom it is applied. In such circumstances we would not only wind up with an ineffective cable costing program, but would probably prejudice our effectiveness in implementing cost programs in other areas.
- b. The workloads involved in this proposal appear to be heavy, and the bulk of that load, the accumulation of traffic data, would logically fall to the Office of Communications. This factor seems contrary to the original intention of reducing Office of Communications workloads.
- c. In other areas to which costing techniques have been applied, procedures which already existed for other purposes were modified and expanded to provide cost data as by-products. In costing cables, however, the entire system would be established only to enable application of a costing program.
- d. The dollar cost figures we would obtain as an end-product, based upon arbitrary predetermined unit rates, would in themselves be of no value to this Agency in budgeting or management.

**6. RECOMMENDATION**


We recommend that Agency cables not be subjected to costing.

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TAS Member

**Attachments:**


**CONCURRENCE**

  
Chief, Technical Accounting Staff

**APPROVAL**



Comptroller

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